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SUBJECT: THIRD TIME THE CHARM? GE ONE STEP CLOSER TO 2 GIGAWATT POWER DEAL

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1B. KUWAIT 722

11. (SBU) After intensive high-level Embassy advocacy, led by Ambassador and including the FCS and Economic sections, it appears as if General Electric's efforts to win the approximately \$2.4 billion Subiya power plant project will be successful. On August 17, Kuwait's Central Tender Committee selected the General Electric-led consortium for the two gigawatt (GW) project. The contract can be signed after the legal formalities, including review by Kuwait's State Audit Bureau (GAO equivalent,) are concluded (ref a).

12. (SBU) Most of our energy sector contacts are positive that the tender will go through this time. Ministry of Electricity contacts have told Emboffs that they think the contract should be signed during Ramadan. GE's local partners expressed similarly positive views to CDA. Based on the tender terms, the power plant should have an initial output of approximately one GW by 2011. The Kuwaiti Ministry of Electricity and Water is also working on the tender for the 4.8 GW Al-Zour power plant, with a goal of tendering it later this year. According to one MEW contact, the Ministry had originally been interested in tendering it as a BOT project, but that the country's urgent need for new electricity plants meant that the first phases, at least, would be tendered as a regular project.

13. (SBU) Comment: Although Kuwait has avoided major black outs this year, it has limited spare generating capacity and both of these projects are key to meeting projected future demands. Kuwait's recent track record for major energy projects has been spotty -- the Subiya power plant deal has already been re-tendered twice) and US firms have had a long dry spell here. Nonetheless, the fact that this passed through the Central Tender Committee leaves us cautiously optimistic that Kuwait will get its new power plant and that GE will get the contract. End Comment.

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